

NZ Windfarms Limited

2009 Annual Meeting



NZ Windfarms
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Year in Review

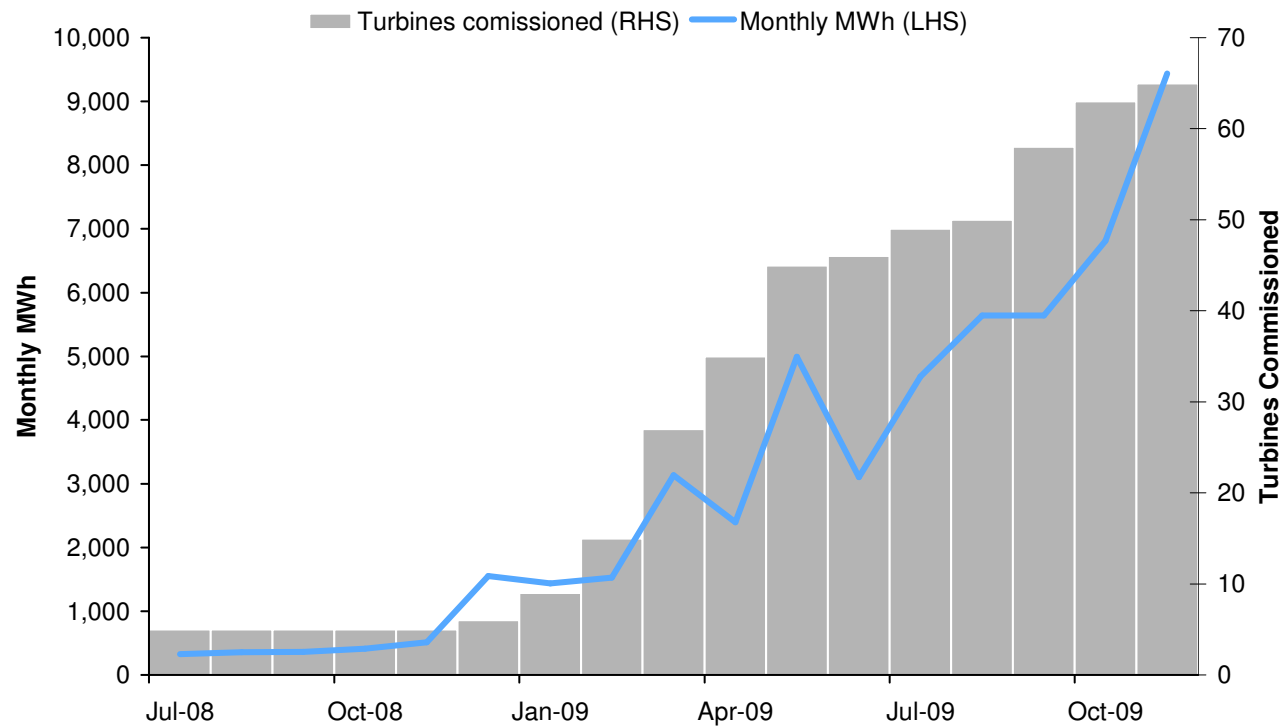


Over the past 12 months there has been a big shift in focus for NZ Windfarms...

- The opportunity arose to quickly grow the business through acquisition of NPBB's 50% share of Te Rere Hau - a proven, consented site
- Focus on TRH meant reduction in staff numbers from 13 to 6
- We have put more effort into understanding the economic drivers; optimising the layout in the Extension area and progressing resource consenting
- The heightened importance of TRH also meant that we have concerned ourselves more on matters affecting turbine performance over the expected life of the project
- We stopped working on other non-viable projects

Turbines: Commissioning and Output

We have seen great progress on the Project this year and production has ramped up as turbines have been commissioned...



TRH Produced 9,339 MWh during November 2009, revenue of \$588,376, and positive EBITDA

Turbines: Availability

Availability is yet to meet warranty levels but the issues affecting availability are being resolved...

- Incorrect heat treating of cast gears on 7 turbines created susceptibility to cracking
- These have all been fixed under warranty but impacted on turbine availability (2.7% over year).
- Recently problems have been experienced with 8 generators overheating
- Retrofits will take place during December/January and undertaken under warranty
- Wind farm output is expected to be impacted by about 10% during December and January
- Availability has also been impacted by other minor issues which are being addressed by WTL



- Availability for calendar year to end of October was 92.7% compared with warranted level of 95%

Turbines: IEC Certification

Issues with respect to design modifications have been quantified and are now understood...

- NWF was concerned when it became aware that the turbine design for which Windflow Technology was seeking IEC Class 1A Certification differed (in varying degrees) to those installed at Te Rere Hau
- NWF expressed its concerns to Windflow Technology
- NZX Listing Rules required disclosure of this issue
- Windflow Technology commissioned a Consultant to provide a report considering the significance of the design modifications
- Windflow Technology has released a summary of the report to the market (27 November 2009)
- As a result of the Consultant's report the significance and materiality of the design change omissions has been quantified and the risks to the Project identified
- NWF is engaging with WTL over implementation of the recommendations made by the Consultant (including financial implications)
- All 32 Batch 4 turbines currently on order from Windflow Technology are being manufactured with all but one of the IEC certification modifications included. The modification not included could be retrofitted at an estimated cost of \$10,000 per turbine

Electricity Prices

Electricity prices have been extremely low for most of the year, but have picked up recently...

Electricity Price at Haywards



In November we earned \$588,376 from electricity sales due to this being a good month for output (9,300 MWh) and better prices (average \$ 63/MWh)

Carbon Credits

We are now starting to earn carbon credits under the PRE scheme...

- We were audited by the Climate Change Office last year to make sure our return was calculated correctly
- We are required to account for the carbon used in construction and net off against credits we earn
- In 2008 we earned 1,296 units and we expect to earn around a further 19,000 in calendar 2009
- We are now looking to start selling these credits.
- We have been recently advised that the Extension area will fall within the PRE scheme
- We have the ability to earn up to 410,296 units by 31 December 2012
- We earn credits at the rate of 600 units per GWh (less carbon consumed during construction)

Looking Forward



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Eastern Extension

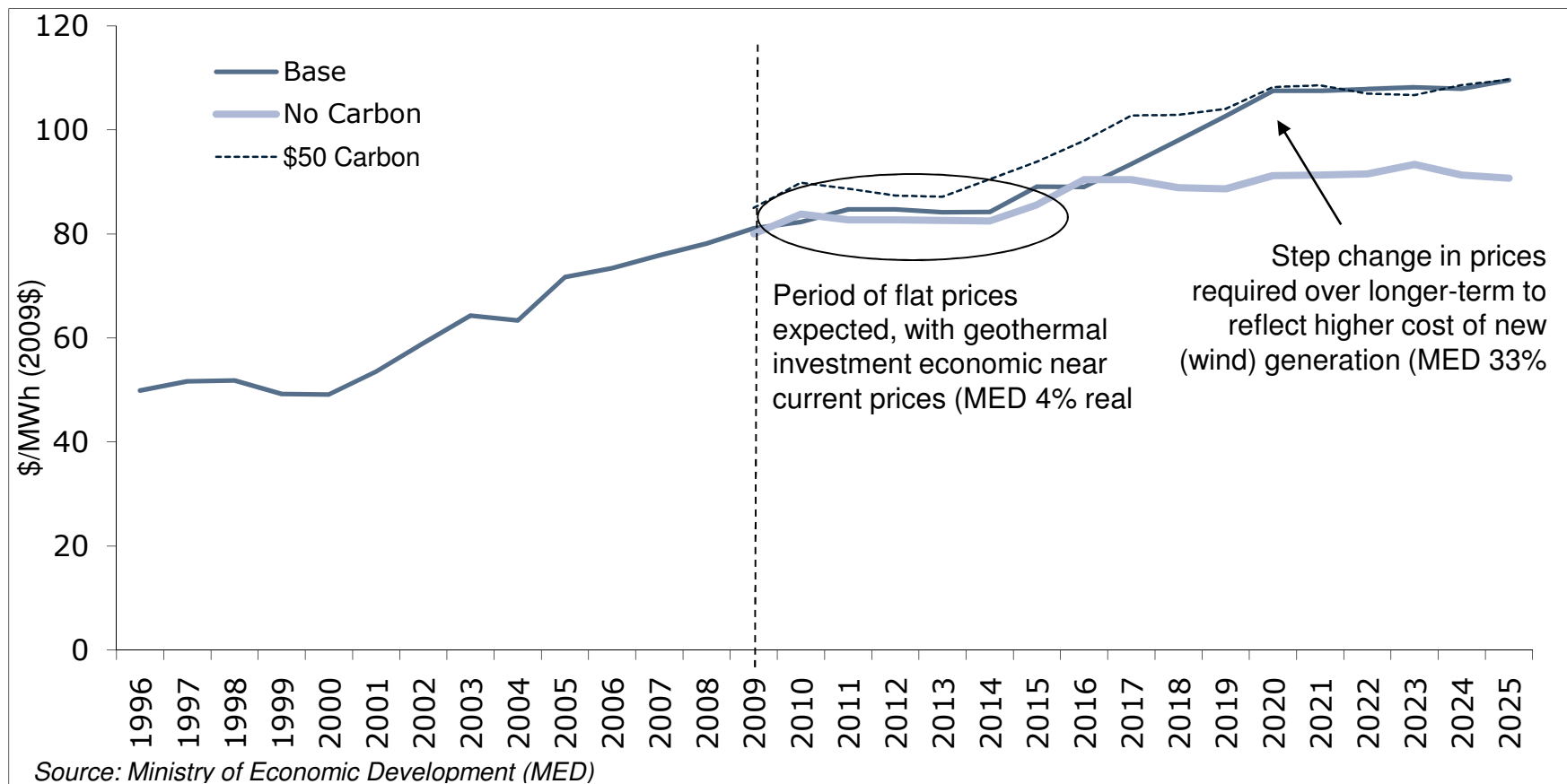


Looking Forward...

- As has been reported, we are awaiting the outcome of our resource consent application for the Eastern Extension area before installing the remaining 32 Batch 4 turbines
- There are significantly better returns projected from installing these turbines on the Extension area
- Our resource consent application was heard during October/November and a decision from the Panel is expected on 11 January 2010
- Providing a favourable consent outcome is received the project should be fully completed by year end 2010
- Further development potential would remain under that scenario – 24 more turbines in the Eastern Extension (12 MW) and 32 sites on the existing consented area

Electricity Prices

Longer term outlook is still for higher electricity prices...



Electricity Prices

Longer term outlook is still for higher electricity prices (cont'd)...

- Delays in implementing a full ETS and geothermal developments are predicted to hold prices back in the short term
- The recent announcement by the Energy Minister shows greater emphasis being placed on security of supply. That could lead to more conservative water management practices and therefore higher wholesale prices
- The higher dry year reserve margin should result in prices rising at a faster rate over the medium-term, i.e. the market will require higher cost generation sooner
- We rely on growth in electricity prices to drive long term value and to support future growth

Year Ahead

We have a clear focus for the next 12 months...

- Our short term focus is on putting in place funding to complete the Project
- Efforts will also be directed to getting the Project completed as soon as possible once resource consent is obtained
- We are putting in the effort to be sure turbines being supplied meet our requirements and can be expected to perform well
- We will be placing more emphasis on operations and ensuring that we have appropriate operating procedures in place
- We will continue to look to optimise the performance of the site through ongoing monitoring and refining turbine performance



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